

Message Text

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SUBJECT: TRADE INQUIRY - DU PONT CORP.

REF: USDOC WASHDC 09823

1. IN RECENT MONTHS ABOUT FIVE INDIAN COMPANIES HAVE BEEN GRANTED "LETTERS OF INTENT" BY THE GOI TO ESTABLISH NEW MANUFACTURING CAPACITY OR EXPAND EXISTING FACILITIES FOR INDUSTRIAL EXPLOSIVES IN INDIA. INCLUDED AMONG THESE ARE THE TWO EXISTING MANUFACTURES, IDL CHEMICALS LIMITED (COLLABORATOR: DOW CHEMICAL) AND THE INDIAN EXPLOSIVES LIMITED (COLLABORATOR: IMPERIAL CHEMICAL INDUSTRIES OF BRITAIN). THE ENTITIES WHICH HAVE RECEIVED "LETTERS OF INTENT" FOR THE ESTABLISHMENT OF NEW PRODUCTION FACILITIES INCLUDE NARINDRA EXPLOSIVES, DEHRA DUN (ANNUAL CAPACITY: 10,000 METRIC TONS) AND MADHYA PRADESH AUDYOGIK VIKAS NIGAM (MPAVN) OF BHOPAL (ANNUAL CAPACITY: 18,000 METRIC TONS).

2. MPAVN IS A MADHYA PRADESH STATE GOVERNMENT OWNED DEVELOPMENT AGENCY THAT IS CHARGED WITH THE PRIMARY RESPONSIBILITY FOR PROMOTING THE INDUSTRIALIZATION OF THE STATE. ACCORDING TO A KEY GOI OFFICIAL, MPAVN PROPOSES TO ESTABLISH THE NEW EXPLOSIVES PLANT AS A "JOINT SECTOR" PROJECT IN COLLABORATION WITH INDO-BURMA PETROLEUM COMPANY LIMITED (IBP) AND FOR THIS PURPOSE HAS ASKED IBP TO NEGOTIATE THE BEST FOREIGN TECHNOLOGY AVAILABLE ON THE
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MOST FAVORABLE TERMS POSSIBLE. (NOTE: THE "JOINT SECTOR" CONCEPT

NORMALLY INVOLVES FINANCIAL PARTICIPATION BY THE STATE GOVERNMENT CORPORATION (26 PERCENT) AND PRIVATE/PUBLIC SECTOR COMPANY (25 PERCENT). THE REMAINING 49 PERCENT SHARE HOLDING IS GENERALLY OPEN FOR SUBSCRIPTION TO THE GENERAL PUBLIC).

ACCORDING TO THE GOI OFFICIAL, MPAVN'S JOINT SECTOR APPROACH FOR IMPLEMENTATION OF THE PROJECT HAS THE FULLEST SUPPORT OF THE GOVERNMENT OF INDIA AND IBP HAS BEEN ASSURED THAT ITS FOREIGN COLLABORATION PROPOSAL WILL BE FAVORABLY CONSIDERED WITHIN THE OVERALL FRAMEWORK OF THE GOI'S INDUSTRIAL POLICY GUIDELINES. WE THEREFORE RECOMMEND THAT DUPONT CONTINUE ITS NEGOTIATION WITH IBP.

3. IBP, AN AUTONOMOUS GOI MAJORITY OWNED ENTITY, IS HIGHLY REGARDED AND POSSESSES ADMINISTRATIVE, FINANCIAL AND TECHNICAL RESOURCES AND EXPERTISE TO SUCCESSFULLY IMPLEMENT LARGE AND COMPLEX INDUSTRIAL PROJECTS. REPORTEDLY, IBP HAS NO OUTSTANDING LOAN OR OTHER FINANCIAL ENCUMBRANCES.

4. THE CURRENT PRODUCTION OF INDUSTRIAL EXPLOSIVES IN INDIA IS ABOUT 40,000 METRIC TONS AND THE DEMAND IS ESTIMATED AT NEARLY 100,000 METRIC TONS PER ANNUM BY 1980. THE PRODUCT HAS BEEN IDENTIFIED BY THE GOI AS ONE OF THE PROMISING AREAS IN WHICH THERE IS POTENTIAL FOR ADDITIONAL INVESTMENT AND THE NEED FOR FOREIGN TECHNOLOGY.
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